

Statement of
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U.S. Trade Representative
before the
Committee on Finance
of the
U.S. Senate
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Chairman Baucus, Senator Grassley, and Members of the Committee:

Thank you for this opportunity to return to the Finance Committee. I have benefited from my discussions with each of you and appreciate the guidance and support you have offered.

I am pleased that one of Chairman Baucus' first steps was to convene this hearing on U.S. Trade Promotion Authority. It is an encouraging sign of bipartisanship, in accord with the impressive tradition of this Committee, that the Chairman shares the priority assigned to trade by his predecessor, Senator Grassley.

Regaining Momentum on Trade

The Committee's interest in U.S. Trade Promotion Authority is especially timely. The Administration has been gaining momentum for expanding trade with Europe, Latin America, East Asia, Africa, and Australia – yet we need the Congress to act so we can keep moving ahead. This is a moment we must seize together. As Pascal Lamy, the European Commissioner for Trade, has pointed out with realism: “If Trade Promotion Authority is denied by Congress, it would be hard for the U.S. Administration to establish itself as a credible trading partner.”

The failure to seize this moment would hurt American farmers, ranchers, workers, businesses, and families.

I just returned a few days ago from my second visit to Europe within a month. Led by the President, our aim has been to reenergize the launch of a new global round of trade negotiations in the WTO. Frankly, the preparations for new global negotiations had been moving, at best, at a snail's pace. The repercussions of the failure in Seattle had left many dispirited. Working closely with the European Union and others, including some key developing countries, we are now seriously discussing frameworks for negotiations. But we do not have much time left before Trade Ministers meet in Doha to reverse the damaging economic and political legacy of Seattle.

Two weeks ago, I was in Shanghai at an APEC meeting of trade ministers from across the Pacific. While in China we built on the work of Ambassador Barshefsky and Secretary Daley by negotiating a breakthrough on China's accession to the WTO. After 15 years of discussions, we are now well-positioned to work with the other WTO members to bring the PRC and Taiwan into the WTO this year. Moreover, the Chinese joined us and others in sending a clear signal to the nations of the Asia-Pacific that the train for the launch of the new WTO round is moving, spurring interest in getting aboard.

Two months ago, at the Quebec City Summit of the Americas, President Bush pressed forward the negotiations for the Free Trade Area of the Americas to a new and more defined stage. That train is moving, too. It was most helpful that Chairman Baucus and Senator Grassley joined the President in Canada to help make the case for the United States. Others, including Senator Graham of Florida, have deepened our drive for trade liberalization within our own hemisphere by promoting the renewal of a more robust Andean Trade Preference Act.

The United States is also regaining trade leadership through bilateral agreements. We are actively pursuing free trade agreements with Chile and Singapore; we intend to complete the U.S.-Chile FTA this year. Drawing on the guidance of Senators Kerry and Murkowski, along with others, the President has sent the U.S.-Vietnam Trade Agreement to the Congress for action. I had a useful meeting with Trade Minister Vu Khoan of Vietnam while in Shanghai, where we discussed steps to promote prompt implementation of that agreement. The Administration also hopes to secure the U.S.-Jordan FTA, and we have discussed with Committee members our ideas to assist its passage through both Houses with broad-based approval. Given the friendship between our two nations and the fragility of Mid-East politics and security, it is important to signal support for King Abdullah and his government by putting this FTA into force.

Strategy & Leadership

Stepping back, one can see that we are starting to move key pieces of the President's trade strategy into proper position: We are advancing trade liberalization and America's interests globally, regionally, and bilaterally. We are creating a "competition in liberalization" with the United States at the center of a network of initiatives.

By leading, the United States adds to its ability to shape the future trading system. By leading, the United States is guiding the merger of regional integration within an open global system. By leading, the United States helps create models of liberalization that we can apply elsewhere. As a result, the United States can add to its leverage on behalf of America's farmers and ranchers, industries and service providers, workers and families.

Yet the Executive branch cannot successfully lead alone. We need a partnership with the Congress to

pioneer new markets for American farm products, goods, and services. We need a partnership with the Congress to break down barriers to the spread of American entrepreneurship. We need a partnership with the Congress to help us export individual freedom and the rule of law. The Congress enjoys the Constitutional authority to regulate commerce with foreign nations. Therefore, we need a partnership with the Congress to restore American leadership on trade. If the Congress stalls, others will lead, the United States will fall behind, and Americans will pay the price.

Enforcement & Opening Markets

The Bush Administration recognizes that to keep faith with the Congress and the public on trade, we must also monitor and enforce agreements, as well as resolve disputes in ways that serve America's interests. In the space of a few months, we have begun to make progress on this front as well. We were pleased to finally resolve the 9-year old dispute with the EU over bananas. We headed off a problem with livestock crossings into Mexico and increased access for dried beans and telecommunication operations there.

In connection with President Bush's recent visit to Poland, the Polish government significantly reduced tariffs on a number of U.S. exports, including grapefruit, wines, almonds, gas turbines, tractors, and certain medical and scientific equipment. Working with India, we removed quantitative restrictions or cut tariffs on more than 2,000 products – including consumer products, processed foods, almonds, and citrus products. We have resolved a variety of intellectual property concerns and are targeting others. Across the board, working closely with Secretary Veneman, USTR has stressed how inappropriate sanitary and phytosanitary measures can create a new wave of agricultural protectionism.

As I have pledged to this Committee previously, we will also enforce, vigorously and with dispatch, U.S. trade laws against unfair practices. This is fundamental to building public support at home for open trade.

Safeguards & Adjustment

The Bush administration is committed to the effective and creative use of statutory safeguards, consistent with WTO rules, to assist American producers under extraordinary stress. Used properly, these safeguards – for example, Section 201 – can give U.S. producers a vital breathing space while they restructure and regain competitiveness. It is a fact of life in this globalized economy that some industries – and communities critically dependent on them – cannot change at the pace of near-instantaneous capital and information markets. Our response should be neither to hide these industries behind costly barriers, nor to abandon these businesses, workers, and communities. Instead, we need to use the safeguards in cases of serious injury as part of a comprehensive commitment to try to restructure and regain competitive strength.

That is why the President took the lead in calling for the initiation of a comprehensive Section 201 investigation for the steel industry, in combination with a call for international negotiations to address global steel problems. We listened closely to steelworkers – hard-working, dedicated Americans, too many of whom had their backs against the wall. They deserve this chance to reverse misfortune, and we will work with the business leaders and workers to make the most of the opportunity.

Our recent work with the wheat gluten industry gives further definition to our safeguards policy. As you know, the International Trade Commission concluded that the U.S. wheat gluten manufacturers had used their Section 201 breathing space well and are on the way to regaining competitiveness. Having reached the 3-year WTO deadline, however, the price of a continued safeguard for wheat gluten would have been international retaliation against the U.S. corn gluten industry. Therefore, the Administration devised an alternative: a financial assistance package for the wheat gluten industry that is equivalent to the benefits of at least 2 more years of safeguards. Moreover, this approach makes the price of support transparent.

A Time for Congressional Action – or Falling Behind

In sum, the elements of the President's trade strategy – global, regional, and bilateral negotiations; enforcement and dispute resolution; action against unfair trade practices; and safeguards and adjustment – are mutually supportive. We are backing words with actions across this agenda. We are starting to see results. Now, after months of consultations with the Congress, Americans need action on the legislative front, too.

If the Congress cannot or will not act, the United States will pay a price. Since the Congressional grant of authority to negotiate trade agreements expired in 1994, America has fallen behind.

Consider the facts. Today, the European Union has 27 free trade or special customs agreements around the world, 20 of which it negotiated in the 1990s; moreover, the EU is negotiating another 15 right now. Last year, the EU and Mexico – the second largest market for U.S. exports – negotiated a free trade agreement. Countries throughout East Asia are quickening the pace of special trade negotiations. Japan is negotiating a free trade agreement with Singapore, and is exploring free trade agreements with Canada, Mexico, Korea, and Chile.

We have no one to blame for falling behind but ourselves. And there is a price to pay for our delay. As Senator Graham of Florida has pointed out, during the last century, when it came time for countries to adopt standards for the great innovation of that era – electric power – Brazil turned to European models because the United States was not active in Brazil. So when you visit Brazil, be sure to bring an electric adapter. Today, Brazil is making decisions about standards for autos and other products – so the United States needs to decide whether it wants to stand on the sidelines again.

Inaction hurts American businesses, farmers, ranchers, workers, and families as they find themselves shut out of the many preferential trade and investment agreements negotiated by our trading partners. To cite just one example, while U.S. exports to Chile face an eight percent tariff, the Canada-Chile trade agreement frees Canadian imports of this duty. As a result, U.S. wheat and potato farmers are now losing market share in Chile to Canadian exports.

Consider this forecast: If we are unable to overcome the breakdown in Seattle by launching a new Round of global trade negotiations, special trade agreements will proliferate even more quickly, most often without the United States. The President needs to have the negotiating authority to help achieve a successful global trading round and to preserve our trading interests regionally and bilaterally.

High Stakes

The stakes are high for the United States. As Congressman John Tanner told me, “America’s place in the world is going to be determined by trade alliances in the next ten years in the way military alliances determined our place in the past.” We have an unparalleled opportunity to shape the post-Cold War, globally integrated world to promote both our values and interests. But we must move now.

In less than 20 weeks, ministers from around the globe will gather in Doha to endeavor to launch a new multilateral trade liberalization round. U.S. leadership is vital to its success. We need a united American front on trade. A new round will bring real benefits to American workers and families.

Trade promotes economic liberty, which spurs political liberty. Open markets generate private sector energy. This openness and private exchange advances the rule of law. And trade prompts stronger economic growth – a foundation for development and healthy civic societies.

Trade also helps the families who are the backbone, muscle, and genius of America. Together, the two landmark trade agreements of the 1990s – NAFTA and the Uruguay Round – have boosted the annual income and lowered the cost of purchases for an average family of four by \$1300 to \$2000. That is real money for farmers, police officers, teachers, health care professionals, and office workers. When trade is restricted, and imports more costly, hard-working mothers and fathers pay the biggest portions of their paychecks for higher cost food, clothing, and appliances through the taxes on trade.

U.S. Trade Promotion Authority

I know from my consultations with many Members of Congress that there is a substantial bipartisan majority that supports the trade negotiations we are advancing.

So now it is time for this Congress to act. Prior Congresses granted the five prior Presidents this

authority to negotiate trade agreements. So I urge this Committee, with its special tradition of cooperation on trade, to grant President Bush the same authority by the end of the year. U.S. Trade Promotion Authority is the President's top trade priority.

Chairman Crane has introduced a strong bill in the House to provide the President U.S. Trade Promotion Authority. I thank him for his initiative and commitment to free trade.

Earlier this year, Senator Roberts introduced a bill, co-sponsored by Finance Committee members Senator Gramm of Texas and Senator Murkowski, as well as others outside the Committee, granting the President extensive trade promotion authority. I thank them, too.

President Bush's 2001 International Trade Agenda, presented to the Congress on May 10, outlines our suggestions for U.S. Trade Promotion Authority. I have enclosed additional copies of that Agenda for your reference.

Each of these proposals recognizes the key point about Trade Promotion Authority: It must be based on a partnership between the Executive and the Congress, founded on trust, close consultation, and mutual respect. This partnership needs to be structured carefully, so that the Executive can negotiate effectively and productively, and the Congress can establish objectives, ensure close consultation at various stages of the negotiations, review and advise on work in progress, and make the ultimate judgment on trade agreements.

The precise formats of the partnership have evolved over the years, but they all rest on the logic advanced first by Secretary of State Cordell Hull – once a Member of this Committee – along with Franklin D. Roosevelt in the 1930s. Hull's cooperative model for Congress and the Executive led to a stream of successful trade negotiations, American leadership in setting the course of trade policy after World War II, and one of the great New Deal legacies.

The Connection of Trade with Other Issues

I appreciate that some Senators are particularly interested in trade and how it may connect to other issues, including promotion of standards for workers, environmental improvements, development, and health policies to counter pandemics.

As we have seen at home, the foundation for serious progress on labor standards and environmental protection is economic growth, openness, support for private sector development, and the related expansion of civil society.

In the past few months, the Administration has demonstrated good faith on these issues through a series of steps. We have announced that we will conduct and have begun environmental reviews of major

trade agreements, and we have urged other countries to do the same. We have added environmental representatives to technical advisory committees. We are pursuing trade negotiating objectives that counter harmful environmental practices – such as fishing subsidies – and are reaching out for other suggestions. We are promoting ways to improve environmental conditions cooperatively with trading partners. We just won a major WTO case defending U.S. law that enhances the conservation of sea turtles without discriminating against our trading partners. And I have been meeting with environmental NGOs, at home and overseas, to solicit their ideas.

We have used the GSP and Caribbean Basin review processes to press successfully for the defense of core ILO labor standards. We have engaged the International Labor Organization to help in particular countries and to consider additional ways to support core labor standards. I have met with leaders of labor unions – at home and abroad – and have other meetings scheduled to listen to their concerns.

Indeed, these meetings – including with top officials of the AFL-CIO and the Steelworkers – contributed importantly to the President's consideration of a Section 201 investigation of steel imports. We then acted to help these workers.

I am pleased with the initial discussions between Members of Congress of both parties with the Department of Labor and USTR to reauthorize and improve the Trade Adjustment Assistance programs so they will be more effective, timely, and appropriate for the rapidly changing conditions of the global economy.

Please consider this reality: It really will not help working men and women at home or abroad – or environmental causes – to paralyze trade negotiations with cumbersome limits or sanctions or pressures. Together, we want to achieve results, not procedural breakdowns.

Conclusion

This Administration is committed to re-energizing America's trade agenda – globally, regionally, and bilaterally. We are starting to gain traction.

We are also serious about consulting and working with the Congress to get moving again on the trade agenda at home. We have listened. We have offered some new ideas – and taken serious action.

The eyes of the world are now on the Congress – and this Committee. Wherever I go, whatever progress we make, I am asked the same question: Will the Congress join with the Administration in supporting trade?

I urge this Committee to answer yes by enacting a U.S. Trade Promotion Authority we can use to reassert America's leadership in trade. It is within our grasp to build a post-Cold War world on the

foundations of freedom, opportunity, democracy, security, free markets, and free trade. Together, we need to seize this opportunity and set a course for peace, prosperity, and America's interests, not just for a year or two, but for decades.